

THE SANITARY SEWER SYSTEM

The Water Services Department is responsible for the planning and construction of sewers, pump stations, and treatment facilities serving Kansas City and certain surrounding areas. It is also responsible for the operation and maintenance of all of the wastewater collection and treatment facilities, compliance with the City's wastewater discharge permits, and applicable state and federal environmental regulations, as well as the administration of an industrial waste program to regulate the quality of wastewater discharged from certain industrial activities.

The Kansas City sanitary sewer system serves an area of about 350 square miles. Wastewater collection and treatment services are provided to approximately 154,000 customers inside and outside the City on a retail basis and agreements with 28 surrounding communities and sewage districts on a contractual basis. The Water Services Department currently maintains about 2,200 miles of sanitary sewers and about 600 miles of combined sewers, 40 wastewater pumping stations, 18 flood pumping stations and 7 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the City's treatment plants receives secondary treatment in compliance with federal and state environmental regulations. One minor wastewater treatment plant is currently scheduled to be removed from service upon completion of ongoing wastewater collection system improvements that will transport its wastewater to other wastewater treatment facilities. This minor plant currently serves the Northland Mobile Home Park.

Biosolids, the stabilized product generated from treatment of wastewater, is used in land application, at a City owned facility, in the cultivation of non-food agriculture. These meet EPA treatment and pollutant content criteria Part 503.13 and can be safely recycled and applied as fertilizer to sustainably improve and maintain productive soils and stimulate plant growth. It is used as natural fertilizer to improve the quality of land for agriculture and increased crop yields. The crops harvested, soy beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol.

A summary of the City's wastewater treatment plants is presented in the table below:

Existing Wastewater Treatment Facilities

Treatment Facility	Approximate First Year of Operation	Current Design Capacity (mgd)	Average Flow (mgd) (a)
Blue River (b)	1964/1985*	105.0	80.2
Westside (c)	1977	22.5	19.0
Birmingham (c)	1977	20.0	14.3
Todd Creek (c)	1999	3.4	1.79
Fishing River (c)	2000	1.0	1.02
Rocky Branch(c)(d)	2005	2.0	1.50
Northland Mobile(c)	-	<u>0.1</u>	<u>.09</u>
TOTAL		154.0	117.9

(a) Average flow for fiscal year 2011 in mgd – million gallons per day

(b) Secondary treatment provided by trickling filters.

(c) These facilities provide secondary treatment using an activated sludge treatment process.

(d) Capacity at the Rocky Branch Wastewater Treatment Plant was upgraded in 2005. Secondary treatment at this plant is provided by an activated sludge process.

* Blue River primary treatment and solids handling was constructed in 1964, secondary treatment was added 1985.

The following table shows revenues generated by retail and wholesale customers of the Sanitary Sewer System for the past five years.

Sanitary Sewer Revenues

Revenue (\$)	2007	2008	2009	2010	2011
Wastewater Volume Revenues	\$60,782,089	\$64,848,775	\$69,850,066	\$74,119,422	\$93,350,359
Other Operating Revenue	3,393,160	3,613,322	4,752,796	5,521,162	5,023,113
Interest Income	1,849,669	2,779,229	1,418,735	2,852,011	2,113,983
Total Revenue	\$66,024,918	\$71,241,326	\$76,021,597	\$82,492,595	\$100,487,455

The following table shows the number of retail Sanitary Sewer System customers for the past five years.

Number of Sanitary Sewer Customers

Customer Class	2007	2008	2009	2010	2011
Residential	131,444	133,308	136,470	137,500	139,496
Commercial/Industrial	14,760	15,076	15,179	15,200	13,949**
Wholesale/Inter-jurisdictional*	138*	138*	21	21	21
Total Customers	146,342	148,522	151,670	152,721	153,466

**In fiscal years 2007 and 2008, customer counts were based on service connections. In the following years, customer accounts were based on discrete wholesale customer contracts. Of the 28 inter-jurisdictional agreements, 6 are billed on a retail basis, one of them to treat our flow (Little Blue Valley Sewer District) and 21 are billed on a wholesale basis.*

***The change from bi-monthly to monthly billing identified an issue in customer count. Prior to going to monthly billing exclusively, a greater proportion of commercial class customers were assumed to be billed monthly, which overestimated the number of commercial accounts in those years. Because nearly all residential accounts were billed bi-monthly, the estimate was consistent with actual performance.*

Management Initiatives

The Water Services Department is participating in the American Water Works Association “QualServe” process. The “QualServe” process is made up of three components: self assessment, peer review and benchmarking. The self assessment portion is a survey of employees to establish the current perspective of the utility. The peer review brings utility professionals on-site, to provide a global perspective and make recommendations for improvements. Finally, benchmarking is designed to track and assess the recommended improvements. These indicators help utilities track internal progress and compare themselves to fellow utilities across 34 areas helping to provide a global view of the utility. This effort is designed to improve operating efficiencies, customer service, and service reliability.

To help assess community expectations, the Water Services Department is initiating a customer satisfaction survey. This survey will be done quarterly and is planned to be completed over the next five years. This will help the utility gauge the impact of the overflow control program, identify areas for improvement and further help assess the impact of the “QualServe” process. Specifically, this will result in strategies to address planning, organizational structure and function, and internal and external service delivery. These initiatives are aimed at helping the Water Services Department achieve best in class delivery of essential services.

Qualifications For National Association of Clean Water Agencies Peak Performance Awards

The following table shows performance awards received by the Water Services Department for the years 2006 to 2011 (through August):

Facility	Thru August					
	2006	2007	2008	2009	2010	2011
Blue River	Silver	Silver	Silver			Gold
Birmingham	Gold		Silver	Gold	Silver	Gold
Fishing River	Silver	Gold	Gold		Silver	Silver
Northland Mobile Home Park	Gold	Gold	Platinum	Platinum 6	Platinum 7	Platinum 8
Rocky Branch	Gold	Gold	Silver	Gold	Silver	Gold
Todd Creek	Silver	Gold	Gold	Gold	Gold	Platinum
Westside	Gold	Gold	Gold		Gold	Gold

Platinum = Five consecutive Gold Awards

Gold = No NPDES exceedances in the year

Silver = five or less NPDES exceedances in the year.

A blank cell indicates no award was received for the associated year.

Security of the System

The City continues to evaluate and address sanitary sewer system security matters in accordance with requirements of the U.S. Environmental Protection Agency and other applicable federal regulations. The City continues to seek federal funding that may become available to defray the cost of any additional security needs.

Capital Improvement Program

The City's Water Services Department has developed the Capital Improvement Program (CIP), which is intended to maintain and expand the sanitary sewer system's capability of collecting and treating wastewater in a manner that meets or exceeds existing and anticipated federal and state water quality standards. In addition to the Bonds, the City expects to issue approximately an additional \$39 million in sanitary sewer system revenue bonds during fiscal year 2013 to finance further improvements to the collection system. A discussion of longer term financings is included in the CIP plan.

Overflow Control Plan

The City Council directed the City Manager in 2003 to prepare a long range plan to manage wet weather flow in both the separate and combined sewers within Kansas City. In response, the City Water Services Department prepared an Overflow Control Plan (the "Plan"). Creation of the Plan was driven by requirements of the Clean Water Act and by policies of the EPA related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the combined sewer system and separate sewer system, while reducing sewer overflows, and to provide a platform to facilitate implementation of a comprehensive green solutions initiative in the City. The Plan for the combined sewer system is designed, upon full implementation, to capture for treatment, approximately 88% of the existing flows in the combined sewer system during a typical year, reduce typical year Combined Sewer Overflows ("CSO") volume, and reduce inflows into the combined sewer system. It will provide adequate capacity to store, transport and treat wastewater in the separate sewer system during a five year, 24-hour rainfall event and reduce the frequency and severity of basement backups throughout the City.

The City has reached an agreement with the federal government, that has been embodied in the form of a Consent Decree. The Consent Decree includes the Plan, resolution of past Clean Water Act violations, and the imposition of a penalty. The Consent Decree was lodged on May 18, 2010, with the United States District Court for the Western District of Missouri and on September 27, 2010 the court issued an Order approving and entering the Consent Decree. A separate agreement has been reached with the State, resolving past sewer overflow violations, imposing a penalty, and requiring the development of a sewer overflow response plan. The City has been timely fulfilling its obligations under both arrangements.

The estimated capital cost of the Plan is \$2.5 billion (2008 dollars) over twenty-five years. In addition, there will be a substantial increase in annual expenditures for operation and maintenance. It is anticipated that this plan will be funded primarily from the City's sewer fund, which is separate from the general fund. The City does not anticipate that the City's general fund will be relied upon to assist in the financing of the Plan; however, further future analysis will be required. Specifically, financing strategies to offset the cost of the Plan will be evaluated and implemented, which could include appropriation of moneys from the City's general fund.

The consent decree can be found at:

<http://www.kcmo.org/idc/groups/public/documents/waterservices/consentdecree.pdf>

Regulatory Requirements

General

The City's sanitary sewer system operations are subject to regulatory requirements relating to the Federal Water Pollution Control Act as amended (the "Clean Water Act") and the Federal Air Pollution Prevention and Control Act, as amended (the "Clean Air Act"). The regulatory requirements are administered by the EPA and the State of Missouri's delegated authority, MDNR. Regulations of these agencies deal with the nature of wastewater (particularly from commercial and industrial facilities) discharged into the collection system, management of overflows from the combined (sanitary/storm) sewer system, the quality of effluent discharged from the wastewater treatment facilities into receiving streams, the quality of air emissions, and the use or disposal of residual solids generated by the wastewater treatment plants. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines that must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with mandated effluent quality and disposal criteria, the City must operate its wastewater treatment facilities according to discharge limitations and reporting requirements set forth in National Pollutant Discharge Elimination System ("NPDES") discharge permits issued by MDNR. With the exceptions/outliers stated below all wastewater treatment plants are meeting the requirements of their individual NPDES permits, as of September 1, 2011.

Westside: In 2009 Westside suffered a one-time, catastrophic failure of one of its final clarifiers. As a result, the facility received a Notice of Violation ("NOV"). The City promptly responded and the clarifier was repaired and returned to service in a timely manner.

Fishing River: This plant has exceeded its ammonia limits in the past. The City has designed and bid a plant replacement project for Fishing River which should eliminate this issue moving forward.

Todd Creek: Currently the permitted ammonia limits are the subject of appeal and a stay, maintaining the prior limits from the previous permit. The City is meeting the limits.

Blue River: In 2011, MDNR issued the Blue River WWTP two (2) NOVs related to excess odor emissions. The City has timely responded to the NOVs and is currently negotiating a final resolution of the enforcement action which is likely to take the form of a settlement agreement or consent order. The City

represents that this final resolution will not affect the City's ability to meet any obligation imposed on it related to the Bonds.

To comply with other federal regulations concerning the discharge of waste materials into the combined and sanitary sewer systems, the City must administer and enforce industrial pretreatment standards upon users of the system. The City has been approved by the State and the EPA to administer its own industrial pretreatment program. In addition, any other jurisdiction contributing wastewater to the City's wastewater collection and treatment system is required by an inter-jurisdictional agreement to either (i) permit and monitor all industries within its respective service area, or (ii) allow the City to do so.

In addition to the City's compliance with all applicable federal laws and regulations, the City must comply with all applicable State laws and regulations. The primary State laws concerned with the control of wastewater operations are the Missouri Clean Water Law, Chapter 644, RSMo, and corresponding regulations, and the Missouri Air Conservation Law, Chapter 643, RSMo, along with corresponding regulations. .

Evolving Regulations

As stated earlier, the City has reached an agreement with the federal government, in the form of a Consent Decree that includes, the Plan, resolution of past Clean Water Act violations, and the imposition of a penalty. This consent decree has been approved by the federal court. While the Plan, in its current form, complies with current EPA and MDNR regulations, it is possible that new EPA or MDNR regulations or changes in permitting may require additional improvements and expenses to the sewer system.

Legal

On behalf of the City, the Water Services Department entered into a cooperative agreement with the City of Lee's Summit, Missouri ("Lee's Summit"), whereby the City would construct the East Bannister Road Interceptor by February 19, 2008. Subsequent to February 19, 2008, Lee's Summit could terminate 138 temporary residential City connections to its Boggs Hollow Interceptor. As of the date of this Official Statement, the East Bannister Road Interceptor has not been constructed. Despite Lee's Summit's ability to disconnect, the disconnections can only occur after: (i) Lee's Summit provides the City with a 135 day written notice to disconnect; (ii) a third party has applied to Lee's Summit for development approval in the Boggs Hollow watershed; and (iii) the Lee's Summit governing body determines that said development will require capacity in the Boggs Hollow Interceptor which is not available due to consumption by the City. As of the date of this Official Statement, the City has not received notice from Lee's Summit to disconnect from the Boggs Hollow Interceptor, and to the best of the City's knowledge there are no approved developments in Lee's Summit that would require capacity from the Boggs Hollow Interceptor, which is unavailable due to City consumption.

Largest Users of the System

The following table sets forth the ten largest users of the City's Sanitary Sewer System, the percentage of total sewerage charges for service and the contract expiration date applicable to each for Fiscal Year 2011:

<u>User</u>	<u>Approximate Percentage of Total Wastewater Services</u>	<u>Contract Expiration Date</u>
Johnson County, Kansas	11.08%	2016
Liberty, Missouri	3.45	2019
Gladstone, Missouri	2.78	2020
North Kansas City, Missouri	1.87	2016
Raytown, Missouri	0.94	2020
Veolia	0.65	None*
Ford Motor Company	0.59	None*
Riverside, Missouri	0.58	2018
Pleasant Valley, Missouri	0.40	2019
Independence, Missouri	0.34	None

* Industrial customer; no contract in place.

Approximately seventy percent of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located inside the City limits. Additionally five percent of the sewer service charge is billed directly by the Water Services Department on a retail basis outside of the City limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 22 surrounding cities and sewer districts. The rates charged to each of the wholesale customers are based on a flat rate house count, commercial customer count with water usage, or metered sewer flow. The rates for each agreement are established in the City's sewer rate ordinance. These rates are reviewed annually but can be changed by the City Council at any time.

Billing Procedures and Collections

Wastewater rates are reviewed annually by the City to determine if rate adjustments are required. Charges are based on the estimated volume of wastewater discharged into the sanitary sewer system or by actual measurement for certain inter-jurisdictional customers. Billable wastewater volume charges for one and two family dwellings are based on water used during the winter period, which is defined as the billing periods most closely corresponding to the months of January through April. Billed wastewater volume for all other customers is equal to their actual metered water usage less any approved exemption allowances for water that does not enter the sanitary sewer system. In addition, all customers pay a monthly service charge. Commercial and industrial users that discharge wastewater having a high biochemical oxygen demand, high concentrations of suspended solids, or oil and grease pay additional charges to recover the added costs required to treat their wastewater.

Charges for wastewater collection and treatment services are combined on a single bill with applicable water and stormwater charges. A late payment service charge of 5% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one and two family dwellings, unpaid charges may become a lien on the property if the account is six or more months delinquent, or the total amount of the delinquency is \$500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent, or the total amount of the delinquency is \$1,000 or more. Water and wastewater service can be restored upon payment of the unpaid bills and a service restoration charge.

Fiscal Year Ended April 30	Delinquency Percentage
2011	2.36%
2010	3.66%
2009	2.23%
2008	2.06%
2007	3.03%

Rate Structure

In 1972, the City adopted a policy of annually reviewing the adequacy of its wastewater rates and adjusting them as required. Wastewater rates are developed for retail and inter-jurisdictional contract customers by determining the total costs of service and service requirements. Rate increases over the past six years have occurred each May 1 and range from 8% to 15%. Rate increases implemented from FY 2007 to FY 2012 are shown in the table below:

FY 2012 (current year)	15%
2011	15%
2010	12%
2009	12%
2008	8%
2007	8%

On March 24, 2011, the City Council approved Ordinance No. 110167 which established the following wastewater rates effective May 1, 2011:

Inside City Rates

Monthly Service Charge	\$9.90 per bill
Volume Charge	\$3.16 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.297 per pound
Suspended Solids Over 250 mg/l	\$0.181 per pound
Oil & Grease Over 30 mg/l	\$0.131 per pound

Outside City Rates

Metered Wastewater Connections	
Volume Charge	\$2.01 per hundred cubic feet
Unmetered Connections with Water Records	
Monthly Service Charge	\$9.90 per bill
Volume Charge	\$2.79 per hundred cubic feet
Unmetered Connections without Water Records	
Monthly Service Charge	\$28.55
Individual Customers Billed Directly by the City	
Monthly Service Charge	\$13.50 per bill
Volume Charge	\$3.38 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.335 per pound
Suspended Solids Over 250 mg/l	\$0.205 per pound
Oil & Grease Over 30 mg/l	\$0.133 per pound

Rate increases require City Council approval and the City is not required to raise rates annually. The City makes no representation as to whether (i) a rate increase will be approved in any of said future Fiscal Years, or, (ii) if a rate increase is approved in any Fiscal Year, the nature and extent of any such rate increase or changes in customer base and resulting revenues. Nevertheless, the City's debt service coverage requirement will be maintained.

Stormwater charges are based on the impervious area of each property within the City. The stormwater revenues are not available to pay debt service on the Bonds or any other Parity Bonds. However, stormwater revenues could be used, if required, to pay debt service on the Outstanding Senior Bonds.

Sanitary Sewer System Financial Information and Coverage Statement

Operating Revenues and Expenses

Approximately 75% of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located either inside or outside the city limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 22 surrounding cities and sewer districts. The total number of retail customers in Fiscal Year 2011 is approximately 154,000.

Annual operation and maintenance expenses of the Sanitary Sewer System are shown the "Debt Service Coverage" Table. These expenses consist of sewerage treatment and pumping, sewer maintenance, administrative and general, hazardous waste control, and Automated Meter Reading lease payments. The wastewater utility's total operation and maintenance expenses for the historical period were \$40,422,112 in 2007, \$46,565,369 in 2008, \$52,231,886 in 2009, \$54,220,587 in 2010 and \$50,804,175 in 2011.

In April 2008, the Water Services Department developed a Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy), which was adopted by the City Council on August 14, 2008. The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Sewer System are as follows:

- (a) Operating reserves have been established in an amount equal to 20 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
- (b) A renewal and replacement reserve has been established in an amount equal to the prior year's annual depreciation. Minimum annual contributions of \$1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

Accounting, Budgeting and Auditing Procedures

The Water Services Department is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for governmentally-owned wastewater utilities. The Water Services Department operates the Sanitary Sewer System on the accrual system of accounting, where revenues are recorded when earned and expenses are recorded when incurred. An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the Sanitary Sewer System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from Sanitary Sewer System revenues.

The financial statements of the Sanitary Sewer System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. For the years 2005-2008, the annual audit was performed by KPMG, LLP, Kansas City, Missouri. In 2009 BKD, LLP certified public accountants audited the City as a whole and did not give a separate opinion for Sewer's financial statements. In 2010 and 2011, BKD, LLP, certified public accountants, provided a separate opinion for Sewer's financial statements. Copies of the audit reports for the past five years are on file in the City Clerk's office and are available for review.

Financial Statements

The tables on the following pages provide the Sewer Fund's balance sheets and income statements for the Fiscal Years ended April 30, 2007 through 2011. The City did not ask BKD, LLP, to perform any additional work or any post-audit procedures more recently than the April 30, 2011 audit with respect thereto.

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CITY OF KANSAS CITY, MISSOURI
SEWER FUND – WASTEWATER ONLY
Statements of Net Assets
Audited For Fiscal Years Ending April 30, 2007-2011

Assets	2007	2008	2009	2010	2011
Current assets:					
Cash and short-term investments	\$13,158,121	\$11,085,415	\$12,037,964	\$15,879,757	\$36,677,546
Accounts receivable, net	11,236,445	12,939,765	13,606,392	13,670,505	15,286,083
Accrued interest receivable	19,350	125,357	75,086	174,661	243,815
Inventories	425,792	594,096	521,705	574,413	484,700
Prepaid expenses	259,487	326,629	327,166	-	-
Due from other governments	-	-	-	-	-
Due from other funds	517,876	313,224	390,129	314,429	653,274
Total unrestricted current assets	<u>25,617,071</u>	<u>25,384,486</u>	<u>26,958,442</u>	<u>30,613,765</u>	<u>53,345,419</u>
Restricted assets:					
Cash and short-term investments	42,723,675	27,761,094	87,887,974	80,816,613	66,838,208
Accrued interest receivable	235,693	155,489	251,374	471,922	309,650
Total restricted current assets	<u>42,959,368</u>	<u>27,916,583</u>	<u>88,139,348</u>	<u>81,288,536</u>	<u>67,147,858</u>
Special assessments receivable	2,288	2,288	27	-	-
Capital assets, depreciable, net	510,123,176	515,338,214	510,819,170	504,990,404	586,277,366
Capital assets, nondepreciable	65,280,259	83,645,896	98,458,458	119,743,179	54,668,828
Debt issuance costs, net	2,738,939	2,501,083	2,832,618	2,716,273	2,476,063
Total assets	<u>\$646,721,101</u>	<u>\$654,788,550</u>	<u>\$727,208,063</u>	<u>\$739,352,157</u>	<u>\$763,915,534</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$4,345,532	\$3,626,994	\$2,975,514	\$7,025,071	\$3,619,334
Compensated absences	82,833	80,338	457,762	477,279	449,797
Accrued payroll and related expenses	688,279	996,472	1,390,160	318,816	364,853
Contracts retainage payable	79,118	114,385	74,244	109,484	10,959
Short term portion of Claims Liability			843,957	1,059,520	1,339,672
Other liabilities	744,911	544,911	567,369	567,369	571,506
Due to other funds	903,693	1,464,144	136,792	46,442	56,260
	<u>6,844,366</u>	<u>6,827,244</u>	<u>6,445,797</u>	<u>9,603,980</u>	<u>6,412,380</u>
Liabilities payable from restricted assets:					
Accrued interest and fiscal agent fees	2,365,411	2,822,665	2,900,266	3,537,838	3,417,044
Current portion of revenue bonds payable	9,491,124	10,805,000	11,155,000	13,374,431	14,489,900
Contract retainage payable	677,088	872,283	223,965	468,266	369,093
Total liabilities payable from restricted ass	<u>12,533,623</u>	<u>14,499,948</u>	<u>14,279,230</u>	<u>17,380,535</u>	<u>18,276,037</u>
Total current liabilities	<u>19,377,989</u>	<u>21,327,192</u>	<u>20,725,028</u>	<u>26,984,515</u>	<u>24,688,417</u>
Compensated absences	1,461,686	1,476,698	1,437,438	1,378,989	1,173,076
Claims liability		2,257,989	2,648,246	3,254,202	4,304,877
Due to other funds	1,981,154				
Other post retirement benefits liability		702,275	1,701,104	2,609,883	2,857,022
Pension liability	1,075,780	672,134	629,967	1,542,320	2,288,276
Revenue bonds payable and notes payable	177,638,293	166,679,418	225,448,390	213,087,679	203,164,436
Total liabilities	<u>201,534,902</u>	<u>193,115,706</u>	<u>252,590,173</u>	<u>248,857,588</u>	<u>238,476,104</u>
Net assets:					
Invested in capital assets, net of related debt	426,727,275	443,698,034	453,854,996	471,562,165	482,829,817
Restricted	4,202,551	4,524,375	6,666,977	6,598,529	6,777,676
Unrestricted	14,256,373	13,450,435	14,095,918	12,333,876	35,831,937
Total net assets	<u>445,186,199</u>	<u>461,672,844</u>	<u>474,617,891</u>	<u>490,494,570</u>	<u>525,439,430</u>
Total liabilities and net assets	<u>\$646,721,101</u>	<u>\$654,788,550</u>	<u>\$727,208,064</u>	<u>\$739,352,158</u>	<u>\$763,915,534</u>

*FY07 includes restatements for change in depreciation method on equipment from composite to straight-line. Cumulative effect \$502,109.
Source: City Sewer Fund audit and the Water Services Department.*

**CITY OF KANSAS CITY, MISSOURI
SEWER FUND – WASTEWATER ONLY**

**Statements of Revenues, Expenses and Changes in Fund Net Assets
Audited for Fiscal Years Ending April 30, 2007-2011**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating revenues:					
Retail sewer charges	\$44,881,172	\$46,125,920	\$48,752,005	\$52,411,606	\$70,226,412
Intermunicipal sewer charges	15,900,917	18,722,855	21,098,061	21,707,817	23,123,947
Other operating revenue	<u>3,393,160</u>	<u>3,613,322</u>	<u>4,752,796</u>	<u>5,521,162</u>	<u>5,023,113</u>
Total operating revenues	<u>64,175,249</u>	<u>68,462,097</u>	<u>74,602,862</u>	<u>79,640,585</u>	<u>98,373,472</u>
Operating expenses:					
Sewerage treatment and pumping	16,108,999	17,931,832	18,968,715	19,158,602	20,207,164
Sewer maintenance	11,676,834	13,419,209	16,489,430	18,014,531	14,638,633
Administrative and general	10,607,211	13,193,053	14,509,502	14,833,438	14,535,534
Industrial and household hazardous waste control	2,029,068	2,021,275	2,264,239	2,214,016	1,422,844
Depreciation and amortization	<u>13,276,370</u>	<u>14,072,645</u>	<u>14,008,556</u>	<u>14,330,796</u>	<u>17,375,094</u>
Total operating expenses	<u>53,698,482</u>	<u>60,638,014</u>	<u>66,240,442</u>	<u>68,551,383</u>	<u>68,179,269</u>
Operating income	<u>10,476,767</u>	<u>7,824,083</u>	<u>8,362,420</u>	<u>11,089,202</u>	<u>30,194,203</u>
Nonoperating revenues (expenses):					
Interest on investments	1,849,669	2,779,229	1,418,735	2,852,011	2,113,983
Grant revenue				-	-
Interest expense and fiscal agent fees	(4,241,743)	(4,847,657)	(4,499,980)	(4,475,333)	(5,323,263)
Gain (loss) on disposal of fixed assets	<u>60,277</u>	<u>(18,389)</u>	<u>109,101</u>	<u>4,933</u>	<u>(630,131)</u>
Total nonoperating revenues (expenses)	<u>(2,331,797)</u>	<u>(2,086,817)</u>	<u>(2,972,144)</u>	<u>(1,618,389)</u>	<u>(3,839,411)</u>
Net income before capital contributions	8,144,970	5,737,266	5,390,276	9,470,814	26,354,792
Capital contributions	<u>6,744,721</u>	<u>10,749,379</u>	<u>7,554,768</u>	<u>6,368,041</u>	<u>8,627,897</u>
Change in net assets	<u>\$14,889,691</u>	<u>\$16,486,645</u>	<u>\$12,945,044</u>	<u>\$15,838,854</u>	<u>\$34,982,689</u>

Source: City Sewer Fund audit and the Water Services Department.

CITY OF KANSAS CITY, MISSOURI
DEBT SERVICE COVERAGE - SANITARY SEWER SYSTEM

For Fiscal Years Ending April 30, 2007 through April 30, 2011

	2007	2008	2009	2010	2011
Revenues:					
Sewer charges	\$ 60,782,089	\$ 64,848,775	\$ 69,850,066	\$ 74,119,422	\$ 93,350,359
Other operating income	3,393,160	3,613,322	4,752,796	5,521,162	5,023,113
Interest income	1,849,669	2,779,229	1,418,735	2,852,011	2,113,983
Total Revenues	\$ 66,024,918	\$ 71,241,326	\$ 76,021,598	\$ 82,492,595	\$ 100,487,455
Less Expenses:					
Sewerage Treatment and Pumping	\$ 16,108,999	\$ 17,931,832	\$ 18,968,715	\$ 19,158,602	\$ 20,207,164
Sewer Maintenance	11,676,834	13,419,209	16,489,430	18,014,531	14,638,633
Administration & General	10,607,211	13,193,053	14,509,502	14,833,438	14,535,534
Industrial and Household Hazardous Waste	2,029,068	2,021,275	2,264,239	2,214,016	1,422,844
Other	-	-	-	-	-
Total Expenses*	\$ 40,422,112	\$ 46,565,369	\$ 52,231,886	\$ 54,220,587	\$ 50,804,175
Net Revenues Available for Debt Service	\$ 25,602,806	\$ 24,675,957	\$ 23,789,712	\$ 28,272,008	\$ 49,683,280
Gross Current Year Debt Service	\$16,750,181	\$17,891,805	\$19,276,085	\$21,412,013	\$24,289,340
Coverage of Gross Debt Service(Times)	1.53 x	1.38 x	1.23 x	1.32 x	2.05 x
Less SRF Subsidy	3,458,471	3,380,966	3,241,774	2,612,237	2,612,253
Net Current Year Debt Service	\$ 13,291,710	\$ 14,510,839	\$ 16,034,311	\$ 18,799,776	\$ 21,677,087
Coverage of Net Debt Service(Times)**	1.93 x	1.70 x	1.48 x	1.50 x	2.29 x

*Does not include depreciation, interest expense and fiscal agents fees.

**Per the City's Ordinance, interest earnings on the reserve accounts related to SRF loans reduce the debt service requirement for the purposes of calculating annual debt service coverage.